

Monroe Downtown Development Authority
(a component unit of the City of Monroe, Michigan)

Financial Report
June 30, 2008

Monroe Downtown Development Authority

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Independent Auditor's Report

To the Board
Monroe Downtown Development
Authority
Monroe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, Michigan for the years ended June 30, 2008 and 2007, which collectively comprise the City's basic financial statements, and have issued our reports thereon dated November 12, 2008 and October 15, 2007, respectively. Those basic financial statements are the responsibility of the management of the City of Monroe, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

Our audits were made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Monroe, Michigan's basic financial statements. The accompanying financial statements of Monroe Downtown Development Authority are presented for the purpose of additional analysis and are not a required part of the City of Monroe, Michigan's basic financial statements. The information presented has been subjected to the auditing procedures applied in the audits of the City's basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the City's basic financial statements taken as a whole.

Plante & Moran, PLLC

November 12, 2008

Monroe Downtown Development Authority

Statement of Net Assets

	June 30	
	2008	2007
Assets		
Cash and cash equivalents	\$ 350,860	\$ 191,782
Investments (Note 2)	32,000	173,000
Accrued interest receivable	1,254	2,396
Prepaid expenses and other assets	1,000	2,502
Total assets	385,114	369,680
Liabilities		
Accounts payable	13,213	12,108
Accrued expenses	1,886	1,569
Due to primary government	13	18
Total liabilities	15,112	13,695
Net Assets - Unrestricted	\$ 370,002	\$ 355,985

Monroe Downtown Development Authority

Statement of Changes in Net Assets Budget and Actual

	Year Ended June 30				
	2007	2008			
	Actual	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue					
Property tax capture	\$ 194,838	\$ 228,623	\$ 244,726	\$ 244,726	\$ -
Investment earnings	25,044	5,000	24,233	20,998	(3,235)
Total revenue	219,882	233,623	268,959	265,724	(3,235)
Expenses - Public works	151,436	496,762	373,842	251,707	122,135
Change in Net Assets	68,446	(263,139)	(104,883)	14,017	118,900
Net Assets - Beginning of year	287,539	355,985	355,985	355,985	-
Net Assets - End of year	<u>\$ 355,985</u>	<u>\$ 92,846</u>	<u>\$ 251,102</u>	<u>\$ 370,002</u>	<u>\$ 118,900</u>

Monroe Downtown Development Authority

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies

Monroe Downtown Development Authority (the "Authority") is a component unit of the City of Monroe, Michigan (the "City") and is included in its basic financial statements at June 30, 2008.

The Authority was organized under the laws of the State of Michigan for the purpose of correcting and preventing deterioration and promoting economic growth in the business district. This is accomplished by capturing property taxes in accordance with state law, and expending resources for improvements within the district boundaries.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant accounting policies:

The Authority utilizes the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Other revenue is recorded when received.
- b. Payments for inventory types of supplies are recorded as expenditures at the time of purchase.
- c. Prepaid expenses represent payments for goods or services related to the subsequent year.
- d. Fixed assets are recorded as expenditures at the time of purchase.
- e. GASB No. 34 requires the presentation of management's discussion and analysis; however, this information is not required in this statement since it is issued in relation to the City's basic financial statements.

Given the nature of the Authority's operations, there are no adjustments necessary to reconcile between the modified accrual basis of accounting and the full accrual basis of accounting.

Investments - Investments are recorded at fair value, based on quoted market prices.

Other accounting policies are disclosed in other notes to the financial statements.

Monroe Downtown Development Authority

Notes to Financial Statements June 30, 2008

Note 2 - Cash and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Authority has elected to comply with the City's investment policy.

The Authority's cash and investments are subject to the following type of risk:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. The Authority's deposits are held at the same institutions as the City's deposits and they are commingled; therefore, the amount covered by federal depository insurance is undeterminable. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Risk Management

The Authority is exposed to various risks of loss related to torts and errors and omissions. The Authority participates in the City's general liability risk management program, which is accounted for in the City's Insurance Internal Service Fund.

Monroe Downtown Development Authority

Notes to Financial Statements June 30, 2008

Note 4 - Budget Information

The annual budget is prepared and approved by the Authority and then approved by the City Council; subsequent amendments are approved by both bodies. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 is not material.

The budget has been adopted on a fund basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget on a line-item basis is available at the City's offices.